



Financial Statements

March 31, 2018



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Management's Report

The accompanying financial statements of The Izaak Walton Killam Health Centre (the "Health Centre") are the responsibility of management and have been approved by the Board of Directors (the "Board").

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. The preparation of the financial statements necessarily involves management's judgement and estimates of the expected outcomes of current events and transactions with appropriate consideration to materiality.

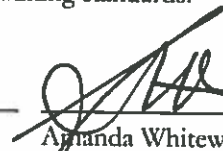
The Health Centre maintains systems of internal accounting and financial controls. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate, and that assets are properly accounted for and safeguarded.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Finance, Audit & Risk Committee (the "Committee"). The Committee meets with management and the external auditors to review any significant accounting and auditing matters, to discuss the results of audit examinations, and to review the financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the financial statements.

The financial statements have been audited by Grant Thornton LLP, the external auditors, in accordance with Canadian generally accepted auditing standards.



Dr. Krista Jangaard
Interim Chief Executive Officer



Amanda Whitewood, FCPA, FCMA, C.Dir., CHE
Chief Operating Officer

June 6, 2018

Independent auditor's report

To the Board of Directors of **The Izaak Walton Killam Health Centre**

We have audited the accompanying financial statements of The Izaak Walton Killam Health Centre (the "Health Centre"), which comprise the statement of financial position as at March 31, 2018, and the statements of operations and changes in accumulated surplus, changes in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Health Centre's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Health Centre's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Health Centre as at March 31, 2018, and the results of its operations and changes in accumulated surplus, changes in net debt, and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

Other matter

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information disclosed in Note 3 is presented for purposes of additional information and is not required as part of the financial statements. Such supplementary information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion in the audit of the financial statements taken as a whole.



Halifax, Canada
June 11, 2018

Chartered Professional Accountants
Licensed Public Accountants

The Izaak Walton Killam Health Centre

Statement of Financial Position

March 31 (expressed in \$,000's)	2018	2017
Financial assets		
Cash and cash equivalents (Note 2)	\$ 26,151	\$ 15,047
Receivables (Notes 4 and 14)	26,729	21,317
Employee receivables	990	1,128
Receivable from IWK Health Centre Charitable Foundation	14,681	23,909
Accumulated sick leave receivable (Note 11)	20,233	18,680
Retirement allowance and health benefits (Note 9)	37,571	38,000
	<u>126,355</u>	<u>118,081</u>
Liabilities		
Payables and accruals (Note 5)	43,600	29,126
Retirement allowances and health benefits (Note 9)	37,571	38,000
Accumulated sick leave payable (Note 11)	20,233	18,680
Facilities loan payable (Note 7)	6,580	7,520
Deferred capital, research and other restricted revenue (Note 8)	28,266	35,673
	<u>136,250</u>	<u>128,999</u>
Net debt	<u>(9,895)</u>	<u>(10,918)</u>
Non-financial assets		
Prepays	2,169	1,980
Inventories held for use	1,624	1,896
Tangible capital assets (Page 19)	203,731	196,700
	<u>207,524</u>	<u>200,576</u>
Accumulated surplus	\$ <u>197,629</u>	\$ <u>189,658</u>

Contingency and contractual obligations (Note 12)

On behalf of the Board of Directors:



Karen Hutt
Chair, Board of Directors



Jennifer Mills
Chair, Finance, Audit & Risk Committee

See accompanying notes and schedule to the financial statements.

The Izaak Walton Killam Health Centre

Statement of Operations and Changes in Accumulated Surplus

Years ended March 31 (expressed in \$,000's)	Revised Budget 2018	Actual 2018	Actual 2017
	(Note 15)		
Revenue			
NS Department of Health & Wellness			
IWK base operational funding	\$ 212,333	\$ 223,633	\$ 211,562
Claims-based/direct funding	7,984	9,003	7,054
NROP reciprocal & MMGS	4,872	5,825	5,156
Provincial program funding	4,769	3,753	3,866
Capital grant funding	7,393	6,423	8,661
PNS - benefit liabilities	5,140	5,140	1,368
Inpatient, outpatient and clinics	6,872	3,217	4,936
Rentals, sales and other	8,702	8,788	10,947
Miscellaneous recoveries			
IWK operations	7,355	7,393	8,492
Provincial programs	45	12	50
Research & innovation revenue	11,264	11,132	13,444
Specified donations for equipment, renovations & research			
IWK operations equipment and renovations	15,282	10,978	5,701
Research & Innovation operating	1,700	2,366	975
Research & Innovation equipment and renovations	1,500	173	1,427
	<u>295,211</u>	<u>297,836</u>	<u>283,639</u>
Expenses (Note 13)			
Salaries and wages	161,548	166,138	155,689
Employee benefits	28,401	29,304	28,549
Services and other contracts	9,072	10,575	10,567
Maintenance and building	14,822	15,160	14,785
Medical supplies	14,548	14,073	13,373
Other supplies and expenses	9,674	11,176	10,378
Equipment expenses	4,438	3,879	4,379
Drugs	4,921	3,845	3,674
Patient food	2,538	2,536	2,419
Professional fees	2,514	2,905	2,868
Amortization of capital assets	12,510	12,606	11,219
Provincial programs	4,877	3,830	3,929
Research & Innovation	13,169	13,838	14,645
	<u>283,032</u>	<u>289,865</u>	<u>276,474</u>
Annual surplus (Note 3)	\$ <u>12,179</u>	7,971	7,165
Accumulated surplus, beginning of year		<u>189,658</u>	<u>182,493</u>
Accumulated surplus, end of year		<u>\$ 197,629</u>	<u>\$ 189,658</u>

See accompanying notes and schedule to the financial statements.

The Izaak Walton Killam Health Centre Statement of Changes in Net Debt

Years ended March 31 (expressed in \$,000's)	Revised Budget 2018	Actual 2018	Actual 2017
	(Note 15)		
Annual surplus	\$ 12,179	\$ 7,971	\$ 7,165
Acquisition of tangible capital assets, net	(24,689)	(19,637)	(17,495)
Amortization	12,510	12,606	11,219
Change in prepaids	-	(189)	647
Change in inventories	-	272	(426)
Change in net debt	-	1,023	1,110
Net debt, beginning of year	(10,918)	(10,918)	(12,028)
Net debt, end of year	\$ (10,918)	\$ (9,895)	\$ (10,918)

See accompanying notes and schedule to the financial statements.

The Izaak Walton Killam Health Centre

Statement of Cash Flows

Years ended March 31 (expressed in \$,000's)	2018	2017
Increase in cash and cash equivalents		
Operating		
Annual surplus	\$ 7,971	\$ 7,165
Amortization	<u>12,606</u>	<u>11,219</u>
	20,577	18,384
Changes in non-cash operating items		
Increase in receivables	(5,412)	(1,165)
Decrease in employee receivables	138	141
Decrease (increase) in receivable from IWK Health Centre Charitable Foundation	9,228	(5,255)
(Increase) decrease in prepaid expenses	(189)	647
Decrease (increase) in inventories	272	(426)
Increase in payables and accruals	14,474	5,413
Decrease in capital lease payable	-	(52)
(Decrease) increase in deferred capital, research and other restricted revenue	<u>(7,407)</u>	<u>3,941</u>
	31,681	<u>21,628</u>
Capital		
Cash used to acquire tangible capital assets - net	<u>(19,637)</u>	<u>(17,495)</u>
Financing		
Principal repayments on facilities loan payable	<u>(940)</u>	<u>(887)</u>
Increase in cash and cash equivalents	11,104	3,246
Cash and cash equivalents		
Beginning of year	<u>15,047</u>	<u>11,801</u>
End of year	\$ <u>26,151</u>	\$ <u>15,047</u>

See accompanying notes and schedule to the financial statements.

The Izaak Walton Killam Health Centre

Notes to the Financial Statements

March 31, 2018 (expressed in \$,000's)

1. Purpose of organization

The Izaak Walton Killam Health Centre (the "Health Centre") provides quality care for children, women and families in the three Maritime Provinces and beyond. It is a tertiary care health centre dedicated to family-centred care, education, research, health promotion and advocacy for best results. The Health Centre is also committed to being global leaders in research and knowledge transfer.

The Health Centre is a charitable organization under the Income Tax Act.

2. Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada and reflect the significant accounting policies noted below.

These financial statements include the assets, liabilities and activities of the Health Centre. They do not include the activities of the IWK Health Centre Charitable Foundation (the "Foundation"), a non-controlled, not-for-profit entity (Note 16).

Revenue recognition

Provincial government transfers for operating and capital purposes are recognized as revenue in the period in which all eligibility criteria and/or stipulations have been met and the amounts are authorized. Any funding received prior to satisfying these conditions is deferred until conditions have been met. When revenue is received without eligibility credits or stipulations, it is recognized when the transfer is authorized.

All non-government contributions or grant revenues that are externally restricted such that they must be used for a specified purpose are recognized as revenue in the period in which the resources are used for the purpose or purposes specified. Any externally restricted inflow received before the criterion has been met is reported as a liability within deferred capital, research and other restricted revenue until the resources are used for the purpose or purposes specified.

Provincial government transfers representing the year over year change in accrued benefit obligations are recognized as revenue as the transfer has been authorized.

In-patient, out-patient, food services, rentals and other recoveries are recognized as revenue when the related service is rendered or goods are provided.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks with original maturities of three months or less. Bank borrowings are considered to be financing activities.

The categories of cash include:

	<u>2018</u>	<u>2017</u>
Research	\$ 13,124	\$ 11,060
Restricted	7,439	8,209
Operating	<u>5,588</u>	<u>(4,222)</u>
	<u>\$ 26,151</u>	<u>\$ 15,047</u>

The Izaak Walton Killam Health Centre

Notes to the Financial Statements

March 31, 2018 (expressed in \$,000's)

2. Summary of significant accounting policies (continued)

Inventories

Inventories are valued at the lower of cost and replacement cost. The Health Centre uses the weighted average cost method to determine cost of stores inventory and the first-in, first-out method to determine cost of pharmacy inventory.

Tangible capital assets

Tangible capital assets are stated at cost. Amortization is provided on the straight-line basis over the expected useful life of the asset:

Buildings and service equipment	2% to 5%
Major equipment	5% to 20%

Amortization on equipment purchased commences in the year after acquisition. Amortization on capital projects and renovations commences in the year after the asset is ready for use.

When conditions indicate that a tangible capital asset no longer contributes to the Health Centre's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value. Write-downs are not reversed.

Capital leases

Capital leases are leases where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the entity.

A capital lease is accounted for as an asset as well as an obligation. Accordingly, capital leases are recognized by recording an asset and a liability at the present value of the minimum lease payments, excluding the portion thereof relating to executor costs. However, the maximum value recorded for the asset and obligation will not exceed the leased asset's fair value.

An obligation under a capital lease is similar to a loan. Lease payments are allocated to a reduction of the obligation, interest expense and any related executor costs. The interest expense is calculated using the discount rate used in computing the present value of the minimum lease payments applied to the remaining balance of the obligation.

Compensation accruals

The Health Centre follows the policy of recording in accrued salaries and benefits a liability for vacation pay, accumulated overtime, smoothing banks and statutory holidays.

Retirement allowances, health benefits, and compensated absences

The Health Centre provides defined benefit plans to certain employee groups. These benefits include pension, health and dental, retirement allowances and non-vesting sick leave. The Health Centre has adopted the following policies with respect to these employee benefits:

- (i) Retirement allowances paid to employees upon retirement are actuarially determined. The retirement allowance value is provided by the Nova Scotia Department of Finance for the Health Centre. It is calculated using the projected benefit method prorated on services as required under Section 3250 of the Public Sector Accounting Handbook. Experience gains and losses and assumption changes are amortized on a linear basis over the expected average remaining service life of 13 years. The costs are actuarially determined using management's best estimate of employee retention, retirement ages of employees, salary escalation, other cost escalation, long term inflation and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over estimated average remaining service life of the employee groups on a straight-line basis. Plan amendments, including past service costs, are recognized as an expense in the period of the plan amendment.

The Izaak Walton Killam Health Centre

Notes to the Financial Statements

March 31, 2018 (expressed in \$,000's)

2. Summary of significant accounting policies (continued)

Retirement allowances, health benefits, and compensated absences (continued)

- (ii) The costs of post-employment future health benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. It is calculated using the projected benefit method prorated on services as required under Section 3250 of the Public Sector Accounting Handbook. Experience gains and losses and assumption changes are amortized on a linear basis over the expected average remaining service life of 14 years. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight-line basis. Plan amendments, including past service costs, are recognized as an expense in the period of the plan amendment.
- (iii) The cost of non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, employees' use of entitlement and discount rates. It is calculated using the projected benefit method prorated on services as required under Section 3250 of the Public Sector Accounting Handbook. Experience gains and losses and assumption changes are amortized on a linear basis over the expected average remaining service life of 12 years. Adjustments to these costs arising from changes in actuarial assumption and/or experience are recognized over the estimated average remaining service life of the employees.
- (iv) Pension benefits are provided to certain employees under multi-employer defined benefit plans. The costs of these pensions are the employer's contributions due to the plan in the period and are accounted for as defined contribution plans.

Funds held in trust

Funds held in trust are maintained separately from the Health Centre's assets and are excluded from the statement of financial position.

At March 31, 2018, the Health Centre held 6 (2017- 5) dental trust funds totalling \$3,501 (2017 - \$3,015). These trust are held on behalf of various stakeholders, including the Nova Scotia Department of Health & Wellness. Each trust maintains its own terms of reference which includes the purpose, guideline for eligible expenditures and designated signing authorities. Trust fund reporting, which includes details on all transactions incurred during the year, is provided to the various stakeholders.

Financial instruments

Financial instruments must be classified within either cost/amortized cost or fair value categories. The Health Centre has no financial instruments that are required to be accounted for at fair value.

The cost/amortized cost category includes cash and cash equivalents, receivables, employee receivables, receivable from IWK Health Centre Charitable Foundation, payables and accruals, and facilities loan payable. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Management assess each financial instrument to determine whether there are any impairment losses and if any, are reported in the statement of operations and changes in accumulated surplus. Valuation allowances are recorded to write-down amounts and loans receivable to the lower of cost their net recoverable value.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

There are no unrealized gains or losses therefore the statement of remeasurement gains and losses has not been presented.

The Izaak Walton Killam Health Centre

Notes to the Financial Statements

March 31, 2018 (expressed in \$,000's)

2. Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates. Areas of key estimation include determination of allowance for doubtful accounts, amortization of tangible capital assets and actuarial estimation of post-employment benefits, retiring allowances and non-vested sick time liabilities.

3. Reconciliation of annual operating funding	2018	2017
Annual surplus	\$ 7,971	\$ 7,165
Amortization	12,606	11,219
Specified donations for equipment and renovations - research	(173)	(1,427)
DHW capital grants and IWK Foundation donations	<u>(17,400)</u>	<u>(14,237)</u>
Surplus from operations	3,004	2,720
Amounts attributed to capital asset purchases	<u>(3,004)</u>	<u>(2,720)</u>
Annual operating surplus	\$ <u>-</u>	\$ <u>-</u>

4. Receivables	2018	2017
Patients & reciprocal	\$ 3,855	\$ 3,880
Client & other	4,930	5,873
NS Department of Health & Wellness	15,521	5,649
Other NS government agencies & entities	4,678	7,008
Allowance for doubtful accounts	<u>(2,255)</u>	<u>(1,093)</u>
	\$ <u>26,729</u>	\$ <u>21,317</u>

NS Department of Health & Wellness ("DHW") receivables are comprised of:

One-time funding	\$ 5,080	\$ -
Service payout	3,766	-
Mental health funding	1,637	2,264
Nursing premiums & long service awards	1,583	-
Vacation liability	1,205	1,205
Provincial programs	509	461
Retiree benefits & allowances	486	110
Benefit bank funding	484	484
Physician on call funding	394	392
Newborn screening & other labs	168	74
EHS Lifelight funding	137	82
Wage funding & other	72	432
Orthopaedic Working Group Initiative	<u>-</u>	<u>145</u>
	\$ <u>15,521</u>	\$ <u>5,649</u>

Of the total receivable from the DHW, as of May 18, 2018, \$7,026 (2017 - \$1,526) has been received.

The Izaak Walton Killam Health Centre

Notes to the Financial Statements

March 31, 2018 (expressed in \$,000's)

5. Payables and accruals	<u>2018</u>	<u>2017</u>
Trade payables	\$ 22,492	\$ 15,427
Accrued salaries and benefits	20,919	13,427
NS Department of Health & Wellness payables	<u>189</u>	<u>272</u>
	\$ <u>43,600</u>	\$ <u>29,126</u>

6. Credit facility

The Health Centre has been approved for a line of credit of \$2,000. At year end, no amount has been advanced on the line of credit from the Royal Bank (2017 - \$Nil). Any outstanding amount is repayable on demand and bears interest at prime plus $\frac{3}{4}\%$.

7. Facilities loan payable

Nova Scotia Department of Finance loan repayable in equal quarterly instalments of \$338 at an interest rate of 5.76% per annum calculated semi-annually. First instalment paid on March 1, 2004, with the final instalment due December 1, 2023.

	<u>2018</u>	<u>2017</u>
Balance	\$ <u>6,580</u>	\$ <u>7,520</u>

Principal amounts repayable within the next five years and thereafter are as follows:

2019	\$ 995
2020	1,053
2021	1,115
2022	1,180
2023 and thereafter	2,237

Interest on facilities loan payable in the amount of \$409 (2017 - \$465) is included in operating fund expenses.

8. Deferred capital, research and other restricted revenue

The following is a summary of the amounts in deferred capital, research and other restricted revenue:

	<u>2018</u>	<u>2017</u>
Capital		
Equipment	\$ 1,352	\$ 2,476
Capital campaign funds	<u>6,351</u>	<u>13,927</u>
	7,703	16,403
Research funds	13,124	11,061
Other restricted funds	<u>7,439</u>	<u>8,209</u>
Balance at year end	\$ <u>28,266</u>	\$ <u>35,673</u>

The Izaak Walton Killam Health Centre

Notes to the Financial Statements

March 31, 2018 (expressed in \$,000's)

8. Deferred capital, research and other restricted revenue (continued)

The following is a summary of the continuity of deferred capital and research revenue:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ <u>35,673</u>	\$ 31,732
Grants from the IWK Health Centre Charitable Foundation	1,857	2,807
NS Department of Health & Wellness funding	5,885	10,536
Research funding	11,926	12,204
Capital campaign fund	1,820	3,851
Other funding	-	77
Other restricted	<u>2,781</u>	<u>3,891</u>
	<u>24,269</u>	<u>33,366</u>
Capital funding expended	(18,262)	(14,237)
Disbursements		
Research	(9,863)	(12,596)
Other restricted	<u>(3,551)</u>	<u>(2,592)</u>
	<u>(31,676)</u>	<u>(29,425)</u>
Balance, end of year	\$ <u>28,266</u>	\$ <u>35,673</u>

Restricted funds

Restricted funds relate to donations and other monies received for operational activities where the eligible expenditures have not all yet been incurred by the end of the fiscal year. At March 31, 2018, the Health Centre had 213 (2017 - 207) restricted funds with a balance at year end. Each restricted fund has a terms of reference which includes the purpose, guideline for eligible expenditures and designated signing authorities.

9. Retirement allowances and health benefits

Retirement allowance amounts for employees and cost sharing for certain employees on health benefits following retirement are actuarially determined. The Province of Nova Scotia contracts a third party to perform an actuarial valuation for all government departments, agencies and boards. The last actuarial valuation for retiring allowances and retirement health benefits was conducted as at June 30, 2015, with actuarial liabilities as at March 31, 2018 extrapolated based on the latest actuarial valuations.

Annually, results along with values to record the liability and expenses are provided by the Nova Scotia Department of Finance. The Nova Scotia Department of Finance fully funds this liability, thus an offsetting receivable balance has been recorded. As at the end of March 31, 2018, an amount of \$23,206 for the retirement allowance liability and \$14,365 for the retirement health benefits payable to the Health Centre has been authorized by the Province of Nova Scotia. Annual approvals have been obtained through the *Appropriations Act*. During the year, an administrative directive was issued providing non-union management with a one-time option to elect an immediate service payout of their retirement allowance. The total amount of this service payout elected at March 31, 2018 is \$3,766 and has been disclosed in Note 4.

The Izaak Walton Killam Health Centre

Notes to the Financial Statements

March 31, 2018 (expressed in \$,000's)

9. Retirement allowances and health benefits (continued)

Information about the retirement allowance and health benefits are as follows:

Accrued benefit obligation	<u>Retirement</u>	<u>Health</u>	2018 total retirement and health benefits	2017 total retirement and health benefits
Opening benefit obligation, beginning of year	\$ 23,727	\$ 11,254	\$ 34,981	\$ 35,656
Current service cost	-	705	705	663
Interest on obligation	784	398	1,182	1,236
Other	750	-	750	(975)
Less: premiums paid	(2,248)	(336)	(2,584)	(2,019)
Actuarial (losses) gains	<u>(800)</u>	<u>(1,798)</u>	<u>(2,598)</u>	<u>422</u>
Closing benefit obligation, end of year	\$ <u>22,213</u>	\$ <u>10,223</u>	\$ <u>32,436</u>	\$ <u>34,983</u>

Accrued benefit obligation	<u>Retirement</u>	<u>Health</u>	2018 total retirement and health benefits	2017 total retirement and health benefits
Funded status - surplus	\$ 22,213	\$ 10,223	\$ 32,436	\$ 34,983
Unamortized net actuarial loss	<u>993</u>	<u>4,142</u>	<u>5,135</u>	<u>3,017</u>
Accrued benefit liability, end of year	\$ <u>23,206</u>	\$ <u>14,365</u>	\$ <u>37,571</u>	\$ <u>38,000</u>

The Health Centre's expense for the retirement allowance and health benefits is as follows:

	<u>2018</u>	<u>2017</u>
Retirement allowances and health benefits	\$ <u>487</u>	\$ <u>651</u>

The following actuarial assumptions have been used in the determination of the accrued benefit liabilities as at March 31, 2018:

	<u>Allowances</u>	<u>Benefits</u>
Discount rate	3.42%	3.42%
Rate of compensation increase	1.40 - 3.90%	0%
Termination rates	0 - 20%	0 - 36%

- (i) The actuary for the pension manager assumed that 75% of employees will retire on the date they are first eligible for an unreduced retirement pension, and the remainder will retire on their normal retirement date, which is their 65th birthday.
- (ii) The retirement plan was curtailed effective April 1, 2015 and accrued service for the purpose of benefit determination is frozen as at that date. The change in liability related to the curtailment of service is reflected in the current year benefit expense and totals \$Nil (2017 - \$17).
- (iii) The actuary for the health benefits plan manager assumed 75% would retire on the date they are first eligible for an unreduced retirement pension and the remainder will retire at the rate of 5% each at ages 52, 57, 60, 62 and 65. In calculating the post-retirement health benefits liability, it was further assumed that 60% of members will elect family coverage and that 95% of eligible employees will elect to participate.

The Izaak Walton Killam Health Centre

Notes to the Financial Statements

March 31, 2018 (expressed in \$,000's)

10. Pension plans

The Health Centre contributes to the following pension plans on behalf of its employees:

- (i) a multi-employer defined benefit plan, as administered by the Health Association of Nova Scotia, formerly the Nova Scotia Association of Health Organizations, providing pension benefits to most of its employees. The most recent actuarial valuation was conducted as at July 1, 2017, which indicated a funding surplus.
- (ii) the second plan is administered by an independent trustee, the Public Service Superannuation Plan Trustee Inc. The most recent actuarial valuation was conducted as at December 31, 2016, which indicated a funding surplus.

The Health Centre's pension expense for the year amounted to \$13,988 (2017 - \$14,118).

11. Accumulated sick leave

Qualifying employees are entitled to a prescribed number of sick leave days over their employment term. The Health Centre has recognized in these financial statements, the liability associated with accumulated sick leave earned by staff. Compensated absences for qualifying employees are actuarially determined. The Province of Nova Scotia contracts a third party to perform an actuarial valuation for all Health Authorities and the Health Centre. The actuarial valuation for non-vesting sick leave banks usage was as at March 31, 2014. These actuarial liabilities were extrapolated to March 31, 2017 and March 31, 2018.

Annually, results along with values to record the liability and expenses are provided by the Nova Scotia Department of Finance. The Nova Scotia Department of Finance fully funds this liability, thus an offsetting accounts receivable balance is recorded. As at the end of March 31, 2018, an amount of \$20,233 payable to the Health Centre for accumulated sick leave benefits has been authorized by the Province of Nova Scotia. Annual approvals have been obtained through the *Appropriations Act*.

Information about the sick leave liability is as follows:

	<u>2018</u>	<u>2017</u>
Accrued benefit liability		
Opening benefit obligation, beginning of year	\$ 15,899	\$ 14,676
Current service cost	2,683	2,535
Interest on obligation	571	532
Other	-	(503)
Less: premiums paid	(1,431)	(1,431)
Actuarial (loss) gains	<u>(5,993)</u>	<u>90</u>
Closing benefit obligation, end of year	11,729	15,899
Unamortized net actuarial gain	<u>8,504</u>	<u>2,781</u>
Accrued benefit liability, end of year	\$ <u>20,233</u>	\$ <u>18,680</u>

The Health Centre's sick time expense is as follows:

Sick time expense paid to employees	\$ <u>9,664</u>	\$ <u>7,325</u>
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The Izaak Walton Killam Health Centre

Notes to the Financial Statements

March 31, 2018 (expressed in \$,000's)

11. Accumulated sick leave (continued)

The following actuarial assumptions have been used in the determination of the accrued benefit obligation as at March 31, 2018:

	<u>2018</u>	<u>2017</u>
Discount rate	3.42%	3.59%
Rate of compensation increase	1.40 - 3.90%	0.40 - 2.90%
Current sick leave utilization	9.1 days	8.2 days
Sick leave bank utilization	6.2 - 14.6 days	6.2 - 14.6 days
Termination rates	0 - 20%	0 - 20%

The actuary for the plan manager assumed 75% would retire on the date they are first eligible for an unreduced retirement pension and the remainder will retire at the rate of 5% each at ages 52, 57, 60, 62 and 65.

12. Contingency and contractual obligations

The Health Centre has been named as a defendant in legal actions arising in the ordinary course of business. Counsel is unable to form an opinion regarding the merit of certain claims and those in which counsel has provided an opinion, it is expected that payments, if any, which may arise from these claims would be funded by the liability insurance carrier.

The Health centre has commitments for various operating, occupancy, equipment and capital renovations. The various commitments are as follows:

- (i) The Health Centre is committed to annual premise lease payments as follows:

2019	\$	3,317
2020		2,992
2021		3,045
2022		3,100
2023		3,160

- (ii) The Health Centre is committed to various capital projects as follows:

2019	\$	6,155
2020		3,842
2021		3,140
2022		-
2023		-

The Izaak Walton Killam Health Centre

Notes to the Financial Statements

March 31, 2018 (expressed in \$,000's)

13. Expenses by program

The following is a summary of the expenses reported on the statement of operations by program:

	Revised Budget <u>2018</u>	Actual 2018	Actual <u>2017</u>
Clinical and medical			
Children's health	\$ 77,123	\$ 77,963	\$ 73,259
Women's and newborn health	49,918	52,615	48,270
Mental health and addictions	34,098	32,774	31,729
Clinic lab services	18,825	18,900	18,506
Medical services	10,943	10,694	10,369
Diagnostic imaging	8,932	9,441	8,335
Pharmacy	5,962	5,827	5,676
Primary health	2,622	2,653	2,388
Professional practice	1,893	1,778	1,609
Operations			
Facilities and environmental services	12,589	13,005	13,485
Corporate services	11,657	14,881	13,612
Quality and system performance	11,671	11,614	11,398
Finance	9,701	10,474	9,709
Human resources	5,237	5,500	5,092
Executive offices and public relations	2,370	2,467	2,659
Biomedical engineering	973	1,347	1,380
Strategic Investments	472	264	423
Provincial programs			
Reproductive Care Program	1,729	1,725	1,700
Nova Scotia Breast Screening Program	1,303	1,326	1,281
Palivisumab and Emergency Care Fund	770	405	535
Nova Scotia Insulin Pump Program	1,075	374	414
Research & Innovation			
Research	12,669	11,560	14,639
Innovation	<u>500</u>	<u>2,278</u>	<u>6</u>
	\$ 283,032	\$ 289,865	\$ 276,474

14. Financial instrument risk management

The Health Centre has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from financial instruments include credit risk, liquidity risk and market risk. Market risk arises from changes in interest rates, foreign currency exchange rates and other price risks. Unless otherwise noted, it is management's opinion that the Health Centre is not exposed to market risks arising from financial instruments.

Credit risk

Credit risk is the risk of financial loss to the Health Centre if a debtor fails to make payments when due. The Health Centre is exposed to this risk relating to its receivables.

Receivables are ultimately due from the government, third party insurers, patients, foundations and auxiliaries. Credit risk is mitigated by management's review of aging and collection of receivables and billings. The Health Centre recognizes a specific allowance for doubtful accounts when management considers the expected amounts to be recovered are lower than the actual receivable.

The Izaak Walton Killam Health Centre

Notes to the Financial Statements

March 31, 2018 (expressed in \$,000's)

14. Financial instrument risk management (continued)

Credit risk (continued)

The Health Centre measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Health Centre's historical experience regarding collections. The amounts outstanding at year end were as follows:

	<u>Total</u>	<u>0-150 Days</u>	<u>151-365 Days</u>	<u>365+ Days</u>
Patients	\$ 3,855	\$ 2,679	\$ 563	\$ 613
Clients/other agencies	3,001	2,367	337	297
Harmonized sales tax	1,929	1,929	-	-
NS Health Authority	2,220	1,720	30	470
NS Department of Health & Wellness	15,521	13,821	3	1,697
NS Government Departments	2,458	2,404	42	12
Less: impairment allowances	<u>(2,255)</u>	<u>(321)</u>	<u>(308)</u>	<u>(1,626)</u>
	<u>\$ 26,729</u>	<u>\$ 24,599</u>	<u>\$ 667</u>	<u>\$ 1,463</u>

Patient receivables not impaired are collectible based on the Health Centre's assessment and past experience regarding collection rates.

Government receivables are due from the Province of Nova Scotia. The Health Centre mitigates credit risk by ensuring that grants are entered into by way of a contract and by continuous monitoring of outstanding balances to ensure collection is timely.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Liquidity risk

Liquidity risk is the risk that the Health Centre will not be able to meet all cash outflow obligations as they come due. The Health Centre mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining a bank overdraft credit facility if unexpected cash outflows arise.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

The Izaak Walton Killam Health Centre

Notes to the Financial Statements

March 31, 2018 (expressed in \$,000's)

15. Approved budget

The 2018 budget figures presented on the statement of operations and changes in accumulated surplus reflect certain budget adjustments made during the fiscal year. A breakdown of the adjustments is presented below.

	<u>Approved</u>	<u>Adjustments</u>	<u>Revised</u>
Revenue			
IWK operations	\$ 274,493	\$ 1,440	\$ 275,933
Provincial programs	5,000	(186)	4,814
Research operations & Innovation	<u>13,187</u>	<u>1,277</u>	<u>14,464</u>
	<u>292,680</u>	<u>2,531</u>	<u>295,211</u>
Expense			
Salaries and wages	\$ 159,286	\$ 2,262	\$ 161,548
Employee benefits	30,765	(2,364)	28,401
Services and other contracts	7,835	1,237	9,072
Maintenance and building	14,770	52	14,822
Medical supplies	14,348	200	14,548
Other supplies and expenses	9,721	(47)	9,674
Equipment expenses	4,551	(113)	4,438
Drugs	4,921	-	4,921
Patient food	2,538	-	2,538
Professional fees	3,164	(650)	2,514
Amortization of capital assets	12,150	360	12,510
Provincial programs	5,000	(123)	4,877
Research & Innovation	<u>12,687</u>	<u>482</u>	<u>13,169</u>
	<u>\$ 281,736</u>	<u>\$ 1,296</u>	<u>\$ 283,032</u>
Annual surplus	<u>\$ 10,944</u>	<u>\$ 1,235</u>	<u>\$ 12,179</u>

16. IWK Health Centre Charitable Foundation

The Foundation provides donations to the Health Centre for capital, clinical programs and research activities. During the current year, the Health Centre received \$8,492 (2017 - \$12,125) in donations from the Foundation. The total amount receivable from the Foundation as at March 31, 2018 is \$14,681 (2017 - \$23,309).

17. Comparative figures

Certain 2017 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

The Izaak Walton Killam Health Centre Schedule of Tangible Capital Assets

Year ended March 31, 2018 (expressed in \$,000's)

	Land and land improvements	Buildings and service equipment	Major equipment	<u>2018</u>
Cost				
Beginning of year	\$ 4,546	\$ 253,168	\$ 32,329	\$ 290,043
Additions during the year	-	15,374	4,263	19,637
Disposals during the year	<u>-</u>	<u>(183)</u>	<u>(8,292)</u>	<u>(8,475)</u>
End of year	<u>4,546</u>	<u>268,359</u>	<u>28,300</u>	<u>301,205</u>
Accumulated amortization				
Beginning of year	261	78,844	14,238	93,343
Amortization	-	6,177	6,429	12,606
Reversal of accumulated amortization relating to disposals	<u>-</u>	<u>(183)</u>	<u>(8,292)</u>	<u>(8,475)</u>
End of year	<u>261</u>	<u>84,838</u>	<u>12,375</u>	<u>97,474</u>
Net book value of tangible capital assets	<u>\$ 4,285</u>	<u>\$ 183,521</u>	<u>\$ 15,925</u>	<u>\$ 203,731</u>

	Land and land improvements	Buildings and service equipment	Major equipment	<u>2017</u>
Cost				
Beginning of year	\$ 4,546	\$ 242,530	\$ 27,641	\$ 274,717
Additions during the year	-	10,954	6,541	17,495
Disposals during the year	<u>-</u>	<u>(316)</u>	<u>(1,853)</u>	<u>(2,169)</u>
End of year	<u>4,546</u>	<u>253,168</u>	<u>32,329</u>	<u>290,043</u>
Accumulated amortization				
Beginning of year	261	73,467	10,565	84,293
Amortization	-	5,693	5,526	11,219
Reversal of accumulated amortization relating to disposals	<u>-</u>	<u>(316)</u>	<u>(1,853)</u>	<u>(2,169)</u>
End of year	<u>261</u>	<u>78,844</u>	<u>14,238</u>	<u>93,343</u>
Net book value of tangible capital assets	<u>\$ 4,285</u>	<u>\$ 174,324</u>	<u>\$ 18,091</u>	<u>\$ 196,700</u>

Included in major equipment is equipment acquired under a capital lease with a total cost of \$332 and a net book value of \$Nil (2017 - \$52).